

**Ashley Community School District
Ashley, Michigan**

**Financial Statements
With Supplemental Information
*June 30, 2008***



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Ashley Community School District
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June 30, 2008

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Independent Auditor's Report

Ashley Community School District
Ashley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Community School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 10, 2008

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

This section of Ashley Community School's annual financial report presents our discussion and analysis of Ashley Community Schools' financial performance during the year ended June 30, 2008. Please read this section in conjunction with the financial statements that immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ashley Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the District-wide financial statements.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a Whole – District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the financial condition of Ashley Community Schools as a result of this year's activities?" The statement of net assets and the statement of activities, which appear first in the financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

These two statements report the District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of services provided and the safety of the schools, to assess the overall health of the Ashley Community Schools.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all the District's services, including instruction, supporting services, and community services, athletics, and food services. Property taxes, State Aid, and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help control and manage money for particular purposes or to show that the School District is meeting legal responsibilities for using certain taxes, grants and other money.

The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the Ashley Community Schools as a whole. Table 1 provides a summary comparison of the District's net assets as of June 30, 2008 versus the previous year:

Table 1	2008 Governmental Activities	2007 Governmental Activities
Assets		
Current and other assets	\$1,043,934	\$1,142,863
Capital assets, net of depreciation	<u>5,127,859</u>	<u>5,318,230</u>
Total Assets	6,171,793	6,461,093
Liabilities		
Current liabilities	1,050,208	1,128,009
Long-term liabilities	<u>5,294,428</u>	<u>5,335,821</u>
Total Liabilities	6,344,636	6,463,830
Net Assets		
Invested in capital assets, net of related debt	74,088	59,381
Restricted	108,979	72,716
Unrestricted	<u>(355,911)</u>	<u>(134,834)</u>
Total Net Assets	(\$172,844)	(\$2,737)

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The net assets of the School District on June 30, 2008 were (\$172,844). Capital assets, net of related debt totaled \$74,088, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$355,911) was unrestricted.

The (\$355,911) in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

As reported in the statement of activities, the cost of all of our governmental activities this year was \$3,918,964. We paid for our governmental activities with \$412,683 in taxes, \$2,669,596 in unrestricted state sources, \$189,660 in federal grants, and with our other revenues, such as interest, fees charged for athletic events and lunches, and restricted state grants.

The Ashley Community School District experienced a decrease in net assets of \$170,107. The decrease in net assets differs from the change in fund balance and the reconciliation appears on page 6.

As discussed earlier, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The results of this year's operations for Ashley Community Schools as a whole are reported in the statement of activities (see Table 2), which summarizes the revenues and expenses for 2008.

	Governmental Funds 2008	%	Governmental Funds 2007	%	Governmental Funds 2006	%
Table 2						
Revenue						
Program Revenue	\$617,211	16	\$560,527	15	\$606,880	16
General Revenue:						
Property Taxes	412,683	11	401,132	11	385,237	10
State Foundation Allowance	2,669,596	71	2,635,559	72	2,506,585	70
Other	49,367	2	67,765	2	138,849	4
Total Revenues	3,748,857	100	3,664,983	100	3,637,551	100
Function/Program Expenses						
Instruction	2,171,482	55	2,094,094	54	\$2,083,344	56
Support Services	1,089,882	28	1,105,970	29	1,029,316	28
Food Service	139,524	4	148,193	4	143,010	4
Athletics	80,967	2	91,611	2	82,979	2
Interest & Fees on Long-Term Debt	232,667	6	219,738	6	225,449	6
Other	14,072	0	24,979	1	86,286	2
Depreciation - unallocated	190,371	5	189,597	4	93,533	2
Total Expenses	3,918,964	100	3,874,182	100	3,743,917	100
Increase (Decrease) In Net Assets	(\$170,107)		(\$209,199)		(\$106,366)	

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The School District's Funds

The Ashley Community School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$228,916. In the General Fund, our principal operating fund, the fund balance was \$114,887. In the General Fund total revenues and expenses were within 1% and 2%, respectively, of budgeted amounts.

- ◆ The Food Service Fund showed a fund balance increase of \$8,714 as a result of general food service operations. There were no significant events in the food service operations during the 2007-08 school year.
- ◆ The Athletic Fund showed a fund balance increase of \$213 as a result of continuing operations during the 2007-08 school year.
- ◆ The Debt Service Funds showed a fund balance increase of \$34,581. The millage rate of 7 mills insures that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Ashley Community School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements (page 19). Changes to the to the General Fund original budget were as follows:

Budgeted revenues decreased \$17,456, which is a decrease of 0.5% compared to the original budget.

Budgeted expenditures increased by \$166,476, which is a 5.2% increase when compared to the original budget. The increase was due mainly to a variety of unanticipated expenditure changes including utilities, transportation fuel, and various maintenance costs.

Actual revenues collected were \$23,647 more than the final budgeted amounts, which is a 0.7% increase. This increase was mostly due to an increase in actual pupil count compared to projected pupil count and corresponding increases in revenues from other sources.

Actual expenditures were \$54,368 less than the final budget amounts, which is a 1.6% decrease.

The overall change in fund excess from the amended budget to the ending actual was a favorable \$92,509.

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Ashley Community School District had \$5,127,859 invested in capital assets, including land, buildings, equipment, and vehicles.

Asset	Amount
Land, Buildings and Improvements	\$5,893,694
Vehicles	448,731
Equipment	283,198
Furniture	87,727
Total	6,713,350
Accumulated Depreciation	(1,585,491)
Net Capital Assets	\$5,127,859

Debt

At June 30, 2008 the Ashley Community Schools District had \$5,480,284 in debt outstanding. That debt consists of the following:

Debt	Amount
School Loan Revolving Fund	\$347,085
School Bond Loan Fund	79,429
Bus Loan	23,770
2004 Bonds	<u>5,030,000</u>
Total Debt	\$5,480,284

Ashley Community Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Other obligations, which include employee-compensated absences, will be presented with the above long-term obligations in the notes to the financial statement.

ECONOMIC FACTORS AND NEXT YEAR BUDGETS

Our elected Board of Education officials and administration consider many factors when setting the Ashley Community Schools 2008-2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-2009 fiscal year is 25 percent of the previous year February count and 75 percent of the September, 2008 student count. The 2008-2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 77% of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be decrease below the estimates used in creating the original 2008-2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget to reflect anticipated revenues.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation at state budget approved levels.

The School District has a three-year labor contract with the professional staff effective through for the 2010-2011 fiscal year.

Contacting the School District's Financial Management

This financial report is designed to provide the Ashley School District citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

**Central Office
Ashley Community Schools
104 N. New Street, PO Box 6
Ashley, MI 48806**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**



Ashley Community School District
Statement of Net Assets
June 30, 2008 and 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 523,619	\$ 595,327
Accounts receivable, net	5,024	9,670
Due from other governmental units	515,290	485,788
Prepays	-	52,078
Total current assets	1,043,934	1,142,863
Noncurrent assets		
Capital assets less accumulated depreciation	5,127,859	5,318,230
Total assets	6,171,793	6,461,093
Liabilities		
Current liabilities		
Accounts payable	24,417	53,376
Salaries payable	229,004	217,757
Accrued interest	33,590	31,321
Accrued expenses	111,295	118,306
Due to other governmental units	302	-
Short-term note payable	450,000	500,000
Current portion of long-term obligations	201,600	207,249
Total current liabilities	1,050,208	1,128,009
Noncurrent liabilities		
Bonds payable	4,850,000	5,030,000
Bus loan payable	2,171	21,600
Compensated absences	15,743	15,760
School loan revolving fund payable	347,085	192,448
School bond loan fund payable	79,429	76,013
Total non-current liabilities	5,294,428	5,335,821
Net assets		
Invested in capital assets, net of related debt	74,088	59,381
Restricted for:		
Debt service	97,890	63,309
Food service	11,089	9,407
Unrestricted	(355,911)	(134,834)
Total net assets	\$ (172,844)	\$ (2,737)

Ashley Community School District
Statement of Activities
For the Year Ended June 30, 2008, with Comparative Data

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Assets	2007
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 2,171,482	\$ 50,595	\$ 353,139	\$ (1,767,747)	\$ (1,745,090)
Support services	1,089,882	-	43,801	(1,046,081)	(1,063,545)
Food service	139,524	78,878	69,361	8,714	(934)
Athletics	80,967	21,437	-	(59,529)	(69,772)
Interest and fees on long-term debt	232,667	-	-	(232,667)	(219,738)
Other	14,072	-	-	(14,072)	(24,979)
Depreciation - unallocated	190,371	-	-	(190,371)	(189,597)
Total school district	<u>\$ 3,918,964</u>	<u>\$ 150,910</u>	<u>\$ 466,301</u>	(3,301,753)	(3,313,655)
General revenues:					
Property taxes				412,683	401,132
State sources				2,669,596	2,635,559
Unrestricted interest and investment earnings				6,181	11,970
Restricted interest and investment earnings				2,570	4,275
Miscellaneous				40,615	51,520
Total general revenues				<u>3,131,646</u>	<u>3,104,456</u>
Change in net assets				(170,107)	(209,199)
Net assets - beginning of year				<u>(2,737)</u>	<u>206,462</u>
Net assets - end of year				<u>\$ (172,844)</u>	<u>\$ (2,737)</u>

FUND FINANCIAL STATEMENTS



Ashley Community School District
Balance Sheet
Governmental Funds
June 30, 2008, with Comparative Data

	Major Funds					Totals	
	General	Food Service	Athletics	Debt Service	Capital Projects	2008	2007
Assets							
Cash and cash equivalents	\$ 409,289	\$ 10,117	\$ 796	\$ 97,890	\$ 5,528	\$ 523,619	\$ 595,327
Due from other funds	-	973	-	-	-	973	7,334
Accounts receivable, net	5,024	-	-	-	-	5,024	9,670
Due from other governmental units	515,290	-	-	-	-	515,290	485,788
Prepays	-	-	-	-	-	-	52,078
Total assets	<u>\$ 929,604</u>	<u>\$ 11,089</u>	<u>\$ 796</u>	<u>\$ 97,890</u>	<u>\$ 5,528</u>	<u>\$ 1,044,906</u>	<u>\$ 1,150,197</u>
Liabilities							
Accounts payable	\$ 24,417	\$ -	\$ -	\$ -	\$ -	\$ 24,417	\$ 53,376
Due to other funds	-	-	973	-	-	973	7,334
Due to other governmental units	-	302	-	-	-	302	-
Salaries payable	229,004	-	-	-	-	229,004	217,757
Accrued expenses	111,295	-	-	-	-	111,295	118,306
Short-term note payable	450,000	-	-	-	-	450,000	500,000
Total liabilities	<u>814,716</u>	<u>302</u>	<u>973</u>	<u>-</u>	<u>-</u>	<u>815,991</u>	<u>896,773</u>
Fund balances							
Reserved for:							
Debt service	-	-	-	97,890	-	97,890	63,309
Food service	-	10,787	-	-	-	10,787	2,073
Capital projects	-	-	-	-	5,528	5,528	11,088
Unreserved:							
Undesignated	<u>114,887</u>	<u>-</u>	<u>(177)</u>	<u>-</u>	<u>-</u>	<u>114,710</u>	<u>176,954</u>
Total fund balances	<u>114,887</u>	<u>10,787</u>	<u>(177)</u>	<u>97,890</u>	<u>5,528</u>	<u>228,916</u>	<u>253,424</u>
Total liabilities and fund balances	<u>\$ 929,604</u>	<u>\$ 11,089</u>	<u>\$ 796</u>	<u>\$ 97,890</u>	<u>\$ 5,528</u>	<u>\$ 1,044,906</u>	<u>\$ 1,150,197</u>

See accompanying notes to the financial statements.

Ashley Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
To the Net Assets of Governmental Activities on the Statement of Net Assets
For the Year Ended June 30, 2008

Total fund balance - governmental funds	\$	228,916
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: Cost of capital assets	\$	6,713,350	
Deduct: Accumulated depreciation		(1,585,491)	
			5,127,859

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Those liabilities consist of:

Deduct: Bonds payable		(5,030,000)	
Deduct: Bus loan		(23,771)	
Deduct: Compensated absences payable		(15,743)	
Deduct: School loan revolving fund payable		(347,085)	
Deduct: School bond loan fund payable		(79,429)	
Deduct: Accrued interest on long-term liabilities		(33,590)	
			(5,529,618)

Total net assets - governmental activities	\$	(172,844)
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Ashley Community School District
Statement of Revenues, Expenditures, and Changes In Fund Balances
Governmental Funds
For the Year Ended June 30, 2008, with Comparative Data

	Major Funds					Totals	
	General	Food Service	Athletics	Debt Service	Capital Projects	2008	2007
Revenues							
Local sources	\$ 142,581	\$ 78,878	\$ 21,437	\$ 279,985	\$ -	\$ 522,881	\$ 524,245
State sources	2,854,632	8,018	-	-	-	2,862,651	2,812,627
Federal sources	128,318	61,342	-	-	-	189,660	193,953
Other sources	173,665	-	-	-	-	173,665	134,158
Total revenues	<u>3,299,197</u>	<u>148,239</u>	<u>21,437</u>	<u>279,985</u>	<u>-</u>	<u>3,748,857</u>	<u>3,664,983</u>
Expenditures							
Instruction							
Basic programs	1,745,370	-	-	-	-	1,745,370	1,697,178
Added needs	436,779	-	-	-	-	436,779	405,169
Total instruction	<u>2,182,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,182,149</u>	<u>2,102,347</u>
Support services							
Pupil	55,713	-	-	-	-	55,713	53,338
Instructional staff	105,770	-	-	-	-	105,770	111,337
General administration	224,884	-	-	-	-	224,884	237,190
School administration	177,427	-	-	-	-	177,427	165,285
Business services	35,400	-	-	-	-	35,400	52,773
Operation and maintenance	316,274	-	-	-	-	316,274	305,053
Pupil transportation	174,415	-	-	-	-	174,415	245,792
Total support services	<u>1,089,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,089,882</u>	<u>1,170,768</u>
Food service	-	139,524	-	-	-	139,524	148,193
Athletics	-	-	80,967	-	-	80,967	91,611
Capital outlay	-	-	-	-	-	-	-
Debt service - principal	19,429	-	-	175,000	-	194,429	165,000
Debt service - interest and other	1,939	-	-	213,963	-	215,902	219,738
Other	8,512	-	-	-	5,560	14,072	24,979
Total expenditures	<u>3,301,911</u>	<u>139,524</u>	<u>80,967</u>	<u>388,963</u>	<u>5,560</u>	<u>3,916,925</u>	<u>3,922,636</u>
Revenues over (under) expenditures	(2,714)	8,714	(59,529)	(108,978)	(5,560)	(168,067)	(257,653)
Other financing sources (uses)							
Proceeds from revolving fund	-	-	-	143,559	-	143,559	132,454
Proceeds from bus loan	-	-	-	-	-	-	43,199
Operating transfers in	-	-	59,742	-	-	59,742	68,938
Operating transfers (out)	<u>(59,742)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,742)</u>	<u>(68,938)</u>
Revenues and other sources over (under) expenditures and other uses	(62,457)	8,714	213	34,581	(5,560)	(24,508)	(82,000)
Fund balance - beginning of year	<u>177,344</u>	<u>2,073</u>	<u>(390)</u>	<u>63,309</u>	<u>11,088</u>	<u>253,424</u>	<u>335,424</u>
Fund balance - end of year	<u>\$ 114,887</u>	<u>\$ 10,787</u>	<u>\$ (177)</u>	<u>\$ 97,890</u>	<u>\$ 5,528</u>	<u>\$ 228,916</u>	<u>\$ 253,424</u>

See accompanying notes to the financial statements.

Ashley Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	(24,508)
--------------------------------------------------------	----	----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: Capital outlay		-
Deduct: Depreciation expense		(190,371)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: Decrease in accrual for compensated absences		17
Deduct: Increase in accrued interest on long term debt		(2,269)
Deduct: Increase in accrued interest on school bond loan fund		(11,080)
Deduct: Increase in accrued interest on school loan revolving fund		(3,416)
Add: Decrease in accrual for early retirement incentive		10,650

Proceeds from long-term debt issuance is an other financial source in the governmental funds, but not in the statement of activities (where it increases long-term debt).

Deduct: Proceeds from school loan revolving fund		(143,559)
--------------------------------------------------	--	-----------

Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

		194,429
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Change in net assets of governmental activities	\$	(170,107)
-------------------------------------------------	----	-----------

Ashley Community School District
Statement of Net Assets – Fiduciary Fund
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	<u>\$ 23,689</u>	<u>\$ 22,175</u>
Total assets	<u><u>\$ 23,689</u></u>	<u><u>\$ 22,175</u></u>
Liabilities		
Due to student and other groups	<u>\$ 23,689</u>	<u>\$ 22,175</u>
Total liabilities	<u><u>\$ 23,689</u></u>	<u><u>\$ 22,175</u></u>

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ashley Community School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a seven member Board of Education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the District-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted sources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The debt service fund is used to record tax, interest and other revenue for payment of principal and other expenditures on the long-term debt.

The capital projects fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from proceeds of the 2004 bond issue.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District are the athletic fund and food service fund.

Additionally, the District reports the following fund types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net assets and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations.

The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and interest and penalties may be assessed by the collecting entity.

The taxable value for the District amounted to \$40,536,141, which includes \$7,709,168, attributable to non-homesteads. The District levied 18.0 mills for school general operations on the non-homestead taxable value, which totaled \$138,765. The District also levied an additional 7.0 mills for the 2004 debt on all property in the District for the purpose of debt service, which totaled \$279,622.

State Aid Revenue

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventory

Inventories are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30.

USDA donated commodities are recorded as a deferred revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used.

The amount of inventories at year end, including USDA donated commodities, was not significant and, therefore, was not recorded in the financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District does not have infrastructure-type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Buildings & Additions	15 – 50
Equipment	5 – 20
Vehicles	5 – 10
Furniture	10 – 25

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees who are not teachers are awarded vacation based on years of employment. The school board's policy does not allow for the accumulation of vacation days. The vacation pay liability is not reflected in the financial statements because it does not exceed a normal year's accumulation.

The District has various policies for earning sick days. Sick days are earned at the rate of ten (10) days annually. A maximum of 90 days may be accumulated by teachers. All others accumulate up to a maximum of 40 days. Retiring teachers must have at least ten (10) years of service to receive payment for sick leave. They will then be paid for unused accumulated sick days at a rate of \$15.00 per day, or \$1,350 maximum. All other employees receive nothing upon retirement or termination of employment. The sick leave liability as of June 30, 2008 is \$15,743.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net assets.

Governmental Funds – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventory items are examples of the former. Reserves for debt service and capital projects are examples of the latter. Designations of fund balance represent tentative management plans that are subject to change.

Unemployment Compensation

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Of Expenditures Over Appropriations

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Budgets for the funds were adopted on a function level and have been presented as such in the Budgetary Comparison Schedules in this report.

During the year ended June 30, 2008, the District incurred expenditures in excess of the amounts budgeted as shown in the Budgetary Comparison Schedules in this report as unfavorable variances.

Athletic Fund Deficit

The fund balance for the Athletic Fund was in a deficit position at the end of the year.

DETAIL NOTES

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2008, the carrying amount of the District's cash, deposits and investments was as follows:

Petty Cash	\$ 400
Deposits With Financial Institutions: Interest Bearing Checking, Savings, Money Market Accounts	523,219
Total	\$ 523,619

At year-end, the carrying amount of the District's deposits was \$523,219 and the bank balance was \$615,769. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

NOTE 4 - ACCOUNTS RECEIVABLE

These receivables consist of various amounts owed to the District that are due from non-governmental units.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at June 30, 2008 are as follows:

Fund	Due From	Due To
Food Service Fund	\$ 973	\$ -
Athletics Fund	-	973
Totals	\$ 973	\$ 973

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Due From	Amount
General Fund:	
State of Michigan – State Aid	\$ 515,290
Total	\$ 515,290

NOTE 7 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Buildings & Additions	\$ 5,893,694	\$ -	\$ -	\$ 5,893,694
Equipment	283,198	-	-	283,198
Vehicles	448,731	-	-	448,731
Furniture	87,727	-	-	87,727
Total Capital Assets	6,713,350	-	-	6,713,350
Accumulated Depreciation				
Buildings & Additions	(940,368)	(131,208)	-	(1,071,576)
Equipment	(102,101)	(27,529)	-	(129,630)
Vehicles	(347,041)	(27,166)	-	(374,207)
Furniture	(5,610)	(4,468)	-	(10,078)
Total Accumulated Depreciation	(1,395,120)	(190,371)	-	(1,585,491)
Net Capital Assets	\$ 5,318,230	\$ (190,371)	\$ -	\$ 5,127,859

Depreciation for the year ended June 30, 2008 totaled \$190,371. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8 - SALARIES PAYABLE

Accrued wages as of June 30th consist mainly of the remaining balance owed on teacher contracts to be paid during the summer months. This also includes amounts earned by other employees as of year-end but not paid until after year-end.

NOTE 9 - ACCRUED EXPENSES

Accrued expenses as of June 30th are as follows:

Accrued Expenses	Amount
Retirement	\$ 38,290
FICA	17,519
Health Insurance	49,868
Other	5,618
Totals	\$ 111,295

NOTE 10 - SHORT-TERM NOTE PAYABLE

On August 20, 2007, the District borrowed \$450,000 in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 3.95% and the maturity date is August 20, 2008.

On August 8, 2008 the District borrowed \$550,000 in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 6.00% and the maturity date is August 20, 2009.

NOTE 11 - LONG-TERM DEBT

The District issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and refunding bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences.

2004 Bond Issue

During 2004 the District issued \$5,465,000 of general obligation bonds for the purpose of erecting, furnishing, and equipping additions to and partially remodeling, furnishing and refurbishing, equipping and re-equipping school buildings; acquiring, installing and equipping the facility for technology; and developing and improving the site.

Also, a portion of the 2004 bond proceeds has been used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the 1996 bonds until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statement.

As a result of the advance refunding, the District reduced its total debt service requirements by \$213,566, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$148,856. An additional estimated savings \$206,971 will result from reduced interest expense from the school bond loan fund.

See schedule of long-term debt in the back of this report.

School Bond Loan Fund And School Loan Revolving Fund

The District has periodically approved the borrowing from the State Of Michigan's School Bond Loan Fund and the School Loan Revolving Fund for the purpose of paying debt service. The interest rates are variable. Repayment of the loans will begin when excess funds are available from the taxes collected for payment of the bond issue.

See bond payment schedules included in this report.

Loan – Bus

On September 12, 2006, the District borrowed \$43,199 for the purpose of purchasing a school bus. The terms of the loan call for two payments of \$22,901 beginning on September 12, 2007. The interest rate is stated at 3.99%.

Early Retirement Incentive Payable

Three former employees are currently participating in the early retirement incentive program offered by the District. Under this program, the individuals will receive two annual payments ranging from \$4,000 to \$5,000 each. Total payments due by year are as follows:

Year Ending June 30th,	Total Payments
2008	\$ 10,650

CHANGES TO LONG-TERM DEBT

The long-term obligations currently outstanding are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Compensated Absences	\$ 15,760	\$ -	\$ (17)	\$ 15,743	\$ -	\$ 15,743
2004 Bonds	5,205,000	-	(175,000)	5,030,000	180,000	4,850,000
School Bond Loan Fund	76,013	3,416		79,429	-	79,429
School Bond Revolving	192,447	154,638		347,085	-	347,085
Bus Loan	43,199	-	(19,429)	23,770	21,600	2,171
Early Retirement Incentive	10,650	-	(10,650)	-	-	-
Total	\$ 5,543,070	\$ 158,054	\$ (205,096)	\$ 5,496,028	\$ 201,600	\$ 5,294,428

Ashley Community School District
Notes to the Financial Statements

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2008, including interest of \$2,637,883 are as follows:

Fiscal Year Ending June 30,	Amount
2009	\$ 384,688
2010	383,300
2011	381,737
2012	384,912
2013	387,737
2014	390,212
2015	387,256
2016	383,723
2017	384,676
2018	384,993
2019	384,665
2020	383,730
2021	387,075
2022	374,820
2023	230,250
2024	223,650
2025	216,900
2026	210,000
2027	203,063
2028	196,088
2029	189,113
2030	182,063
2031	174,938
2032	167,813
2033	160,688
2034	153,563

NOTE 12 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

The District contributes to the Statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, defined benefit pension plan administered by the nine-member board of MPERS. MPERS provides retirement benefits and postretirement benefits for health, dental, and vision. MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS.

A copy of this report can be requested by calling (517) 322-6000 or by writing to:

Michigan Public School Employees' Retirement System
P.O. Box 30171
Lansing, MI 48909-7671

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 16.72%. The contribution requirements of plan members and the District are established, and may be amended by, the MPSERS Board of Trustees.

The District's contributions to MPSERS for the years ended June 30, 2008, 2007, and 2006, were, \$325,464, \$320,122, and \$302,114, respectively, which is equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

Other Post Employment Benefits

Under the MPSERS' Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these overages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 14 - TRANSFERS

The general fund transferred \$59,742 to the athletic fund for operating expenses during the 2008 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE



Ashley Community School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 149,823	\$ 145,431	\$ 142,581	\$ (2,850)
State sources	2,884,194	2,883,101	2,854,632	(28,469)
Federal sources	138,665	138,249	128,318	(9,931)
Other sources	120,324	108,769	173,665	64,896
Total revenues	3,293,006	3,275,550	3,299,197	23,647
Expenditures				
Instruction				
Basic programs	1,619,628	1,716,584	1,745,370	(28,786)
Added needs	412,403	454,055	436,779	17,276
Total instruction	2,032,031	2,170,639	2,182,149	(11,510)
Support services				
Pupil	54,828	57,086	55,713	1,373
Instructional staff	110,642	112,157	105,770	6,387
General administration	228,125	228,344	224,884	3,460
School administration	168,549	170,233	177,427	(7,194)
Business services	68,769	69,780	35,400	34,380
Operation and maintenance	306,534	328,249	316,274	11,975
Pupil transportation	207,525	205,191	174,415	30,776
Total support services	1,144,972	1,171,040	1,089,882	81,158
Outgoing transfers and other	12,800	14,600	29,880	(15,280)
Total expenditures	3,189,803	3,356,279	3,301,911	54,368
Revenues over (under) expenditures	103,203	(80,729)	(2,714)	78,015
Other financing sources (uses)				
Proceeds from bus loan	-	-	-	-
Operating transfers out	(69,885)	(74,237)	(59,742)	14,495
Revenues and other sources over (under) expenditures and other uses	33,318	(154,966)	(62,457)	92,509
Fund balance - beginning of year	177,344	177,344	177,344	-
Fund balance - end of year	\$ 210,662	\$ 22,378	\$ 114,887	\$ 92,509

Ashley Community School District
 Budgetary Comparison Schedule for the Food Service Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 81,850	\$ 82,200	\$ 78,878	\$ (3,322)
State sources	7,000	6,583	8,018	1,435
Federal sources	40,000	40,000	61,342	21,342
Total revenues	128,850	128,783	148,239	19,456
Expenditures				
Food service	134,075	141,685	139,524	2,161
Revenues over (under) expenditures	(5,225)	(12,902)	8,714	21,616
Other financing sources (uses)				
Operating transfers in	5,225	12,902	-	(12,902)
Operating transfers out	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	-	8,714	8,714
Fund balance - beginning of year	2,073	2,073	2,073	-
Fund balance - end of year	<u>\$ 2,073</u>	<u>\$ 2,073</u>	<u>\$ 10,787</u>	<u>\$ 8,714</u>

Ashley Community School District
 Budgetary Comparison Schedule for the Athletics Fund
 For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	<u>\$ 19,800</u>	<u>\$ 22,265</u>	<u>\$ 21,437</u>	<u>\$ (828)</u>
Total revenues	<u>19,800</u>	<u>22,265</u>	<u>21,437</u>	<u>(828)</u>
Expenditures				
Athletics	<u>83,860</u>	<u>83,600</u>	<u>80,967</u>	<u>2,634</u>
Revenues over (under) expenditures	<u>(64,060)</u>	<u>(61,335)</u>	<u>(59,529)</u>	<u>1,806</u>
Other financing sources (uses)				
Operating transfers in	<u>64,060</u>	<u>61,335</u>	<u>59,742</u>	<u>(1,593)</u>
Revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>213</u>	<u>213</u>
Fund balance - beginning of year	<u>(390)</u>	<u>(390)</u>	<u>(390)</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ (390)</u></u>	<u><u>\$ (390)</u></u>	<u><u>\$ (177)</u></u>	<u><u>\$ 213</u></u>

OTHER SUPPLEMENTARY INFORMATION



Ashley Community School District
General Fund
Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	\$ 409,289	\$ 498,378
Due from other funds	-	7,334
Accounts receivable	5,024	-
Due from other governmental units	515,290	485,788
Prepays	-	52,078
	<u> </u>	<u> </u>
Total assets	<u>\$ 929,604</u>	<u>\$ 1,043,578</u>
 Liabilities		
Accounts payable	\$ 24,417	\$ 30,171
Accrued expenses	111,295	118,306
Salaries payable	229,004	217,757
Loan payable	450,000	500,000
	<u> </u>	<u> </u>
Total liabilities	814,716	866,234
 Fund balance		
Unreserved	<u>114,887</u>	<u>177,344</u>
	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 929,604</u>	<u>\$ 1,043,578</u>

Ashley Community School District
General Fund
Statement of Revenues
For the Years Ended June 30, 2008 and 2007

	2008	2007
Local sources		
Property taxes	\$ 135,269	\$ 132,771
Interest	6,181	11,970
Rental fees	650	675
Other local revenues	481	2,883
Total local sources	<u>142,581</u>	<u>148,299</u>
State sources		
General state aid	2,669,596	2,635,559
Categorical:		
Special education	75,506	71,190
At risk	65,729	55,377
Class size reduction	23,401	20,724
Middle School Math/Science	-	5,201
School readiness	20,400	16,500
Total state sources	<u>2,854,632</u>	<u>2,804,551</u>
Federal sources		
Title I	95,810	94,491
Title V	345	367
Drug free schools and communities	-	798
Medicaid	8,491	14,317
Title II, Part D - Technology literacy challenge	900	970
CIMS	-	2,561
Title II, Part A - Improving teacher quality	22,772	22,737
Total federal sources	<u>128,318</u>	<u>136,241</u>
Other financing sources		
Other governmental units		
County special education tax	83,586	66,367
District library	27,532	26,425
Other		
Head Start	50,595	22,390
Proceeds from bus loan	-	43,199
Other	11,952	18,976
Total other financing sources	<u>173,665</u>	<u>177,357</u>
Total revenues	<u><u>\$ 3,299,197</u></u>	<u><u>\$ 3,266,448</u></u>

Ashley Community School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2008 and 2007

	2008	2007
Instruction		
Basic programs		
Elementary		
Salaries	\$ 551,924	\$ 510,516
Employee benefits	271,330	262,346
Purchased services	172	218
Supplies, materials and other	17,219	17,358
	<u>840,645</u>	<u>790,438</u>
Total elementary		
Secondary		
Salaries	535,102	532,508
Employee benefits	265,859	272,325
Purchased services	187	1,390
Supplies, materials and other	44,414	41,618
	<u>845,562</u>	<u>847,841</u>
Total secondary		
Pre-Kindergarten		
Salaries	38,858	38,210
Employee benefits	16,814	17,230
Purchased services	60	28
Supplies, materials and other	3,431	3,431
	<u>59,163</u>	<u>58,899</u>
Total pre-kindergarten		
Total basic programs	<u>1,745,370</u>	<u>1,697,178</u>
Added needs		
Special education		
Salaries	162,595	156,961
Employee benefits	78,334	81,565
Purchased services	236	113
Supplies, materials and other	1,913	2,028
	<u>243,078</u>	<u>240,667</u>
Total special education		
Title I		
Salaries	84,139	65,382
Employee benefits	20,234	15,943
Purchased services	1,659	1,605
Supplies, materials and other	2,789	2,154
	<u>108,821</u>	<u>85,084</u>
Total Title I		

Ashley Community School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2008 and 2007

	2008	2007
Instruction (continued)		
Alternative education		
Salaries	\$ 26,547	\$ 28,715
Employee benefits	6,699	3,923
Purchased services	5,861	6,845
Supplies, materials and other	4,503	3,186
	<u>43,610</u>	<u>42,669</u>
At risk		
Salaries	27,771	21,378
Employee benefits	10,015	11,247
Purchased services	-	214
Supplies, materials and other	3,484	3,910
	<u>41,270</u>	<u>36,749</u>
Total added needs	<u>436,779</u>	<u>405,169</u>
Total instruction	<u>2,182,149</u>	<u>2,102,347</u>
Supporting services		
Pupil services		
Student assistance		
Purchased services	7,116	2,172
	<u>7,116</u>	<u>2,172</u>
Guidance services		
Salaries	31,951	30,469
Employee benefits	15,444	15,438
Purchased services	165	170
	<u>47,559</u>	<u>46,077</u>
Health services		
Purchased services	1,037	5,089
	<u>1,037</u>	<u>5,089</u>
Total pupil services	<u>55,713</u>	<u>53,338</u>

Ashley Community School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2008 and 2007

	2008	2007
Supporting services (continued)		
Instructional staff		
Library		
Salaries	\$ 24,377	\$ 22,528
Employee benefits	20,108	19,355
Purchased services	-	2,275
Supplies, materials and other	1,067	1,268
	<u>45,552</u>	<u>45,426</u>
Total library		
Audio-visual/technology		
Purchased services	29,874	30,577
Supplies, materials and other	30,345	35,334
	<u>60,219</u>	<u>65,911</u>
Total audio-visual		
Total instructional staff	<u>105,770</u>	<u>111,337</u>
General administration		
Board of education		
Purchased services	17,521	30,864
Supplies, materials and other	11,629	13,431
	<u>29,149</u>	<u>44,295</u>
Total board of education		
Executive administration		
Salaries	125,217	124,711
Employee benefits	58,681	58,527
Purchased services	6,530	6,223
Supplies, materials and other	5,305	3,434
	<u>195,734</u>	<u>192,895</u>
Total executive administration		
Total general administration	<u>224,884</u>	<u>237,190</u>
School administration		
Offices of the principals		
Salaries	122,937	113,590
Employee benefits	45,435	42,167
Purchased services	1,724	2,494
Supplies, materials and other	7,331	7,034
	<u>177,427</u>	<u>165,285</u>
Total offices of the principals		

Ashley Community School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2008 and 2007

	2008	2007
Supporting services (continued)		
Business services		
Other business services		
Purchased services:		
Insurances	\$ 21,362	\$ 27,425
Interest and fees	5,696	16,086
Data processing	3,580	4,635
Taxes abated and written off / other transactions	4,762	4,627
	<u>35,400</u>	<u>52,773</u>
Total business services		
Operation and maintenance		
Salaries	108,536	106,756
Employee benefits	61,556	65,140
Purchased services	108,732	109,203
Supplies, materials and other	37,449	23,954
	<u>316,274</u>	<u>305,053</u>
Total operation and maintenance		
Pupil transportation		
Salaries	83,109	90,029
Employee benefits	22,483	25,901
Purchased services	20,929	19,951
Supplies, materials and other	47,894	45,113
Capital Outlay	-	64,798
	<u>174,415</u>	<u>245,792</u>
Total pupil transportation		
Total support services	<u>1,089,882</u>	<u>1,170,768</u>
Outgoing transfers and other transactions		
Transfers to other funds		
Athletics	59,742	68,938
Copier leases	7,767	13,829
Debt service - principal	19,429	-
Debt service - interest	1,939	-
Other transactions	745	844
	<u>89,623</u>	<u>83,611</u>
Total outgoing transfers and other transactions		
Total general fund expenditures and other transactions	<u>\$ 3,361,653</u>	<u>\$ 3,356,726</u>

Ashley Community School District
Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources		
Student lunches	\$ 25,128	\$ 25,346
Adult lunches	726	705
Ala-carte	50,499	52,210
Miscellaneous	2,524	3,210
Total local sources	78,878	81,471
State sources		
School breakfast program	1,285	1,627
School lunch program	6,733	6,449
Total state sources	8,018	8,076
Federal sources		
National school lunch program	55,532	52,553
USDA donated commodities	5,811	5,159
Total federal sources	61,342	57,712
Total revenues	148,239	147,259
Expenditures		
Salaries	41,218	44,076
Employee benefits	9,952	10,763
Purchased services	1,557	1,252
Supplies, materials and other	86,798	92,102
Total expenditures	139,524	148,193
Revenues over (under) expenditures	8,714	(934)
Fund balance - beginning of year	2,073	3,007
Fund balance - end of year	<u>\$ 10,787</u>	<u>\$ 2,073</u>

Ashley Community School District
Athletics Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources		
Gate receipts	\$ 21,437	\$ 21,839
Total revenues	21,437	21,839
Expenditures		
Salaries	42,513	46,047
Employee benefits	7,579	7,681
Purchased services	16,143	17,356
Supplies, materials and other	14,732	20,527
Total expenditures	80,967	91,611
Revenues over (under) expenditures	(59,529)	(69,772)
Other financing sources (uses)		
Operating transfers in	59,742	68,938
Revenues and other sources over (under) expenditures and other uses	213	(834)
Fund balance - beginning of year	(390)	444
Fund balance - end of year	\$ (177)	\$ (390)

Ashley Community School District
Debt Service Funds
Balance Sheet
For the Years Ended June 30, 2008 with Comparative Data

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 97,890	\$ 53,639
Taxes receivable	<u>-</u>	<u>9,670</u>
Total assets	<u><u>\$ 97,890</u></u>	<u><u>\$ 63,309</u></u>
 Fund balance		
Fund balance		
Reserved for debt service	<u>\$ 97,890</u>	<u>\$ 63,309</u>
Total fund balance	<u><u>\$ 97,890</u></u>	<u><u>\$ 63,309</u></u>

Ashley Community School District
Debt Service Funds
Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2008 with Comparative Data

	2008	2007
Revenues		
Local sources		
Property tax	\$ 277,414	\$ 268,361
Interest on investments	2,570	2,278
	<u>279,985</u>	<u>270,639</u>
Expenditures		
Outgoing transfers and other transactions		
Principal - 2004 bonds	175,000	165,000
Interest and other charges - 2004 bonds	213,963	219,738
	<u>388,963</u>	<u>384,738</u>
Revenues over (under) expenditures	(108,978)	(114,099)
Other financing sources (uses)		
Proceeds from school loan revolving fund	143,559	132,454
Revenues and other sources over (under) expenditures and other uses	34,581	18,355
Fund balance - beginning of year	<u>63,309</u>	<u>44,954</u>
Fund balance - end of year	<u><u>\$ 97,890</u></u>	<u><u>\$ 63,309</u></u>

Ashley Community School District
Capital Projects Fund
Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	\$ 5,528	\$ 33,569
Total assets	<u>\$ 5,528</u>	<u>\$ 33,569</u>
Liabilities		
Accounts payable	\$ -	\$ 22,481
Fund balances		
Reserved for future capital outlay	<u>5,528</u>	<u>11,088</u>
Total liabilities and fund balances	<u>\$ 5,528</u>	<u>\$ 33,569</u>

Ashley Community School District
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources		
Interest income	\$ -	\$ 1,997
Expenditures		
Construction in progress	<u>5,560</u>	<u>10,306</u>
Total expenditures	<u>5,560</u>	<u>10,306</u>
Revenues over (under) expenditures	(5,560)	(8,309)
Fund balance - beginning of year	<u>11,088</u>	<u>19,397</u>
Fund balance - end of year	<u><u>\$ 5,528</u></u>	<u><u>\$ 11,088</u></u>

Ashley Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2008

Fiscal Year Ended June 30,	Interest Rate (%)	Annual Principal Due	Interest Due		Total
			November	May	
2004 Bonds - \$5,465,000					
2009	3.50%	180,000	100,769	103,919	384,688
2010	3.50%	185,000	97,531	100,769	383,300
2011	3.50%	190,000	94,206	97,531	381,737
2012	3.50%	200,000	90,706	94,206	384,912
2013	3.50%	210,000	87,031	90,706	387,737
2014	3.50%	220,000	83,181	87,031	390,212
2015	3.65%	225,000	79,075	83,181	387,256
2016	3.85%	230,000	74,648	79,075	383,723
2017	3.85%	240,000	70,028	74,648	384,676
2018	4.05%	250,000	64,965	70,028	384,993
2019	4.05%	260,000	59,700	64,965	384,665
2020	4.20%	270,000	54,030	59,700	383,730
2021	4.20%	285,000	48,045	54,030	387,075
2022	4.40%	285,000	41,775	48,045	374,820
2023	4.40%	150,000	38,475	41,775	230,250
2024	4.40%	150,000	35,175	38,475	223,650
2025	4.60%	150,000	31,725	35,175	216,900
2026	4.60%	150,000	28,275	31,725	210,000
2027	4.65%	150,000	24,788	28,275	203,063
2028	4.65%	150,000	21,300	24,788	196,088
2029	4.65%	150,000	17,813	21,300	189,113
2030	4.75%	150,000	14,250	17,813	182,063
2031	4.75%	150,000	10,688	14,250	174,938
2032	4.75%	150,000	7,125	10,688	167,813
2033	4.75%	150,000	3,563	7,125	160,688
2034	4.75%	150,000	-	3,563	153,563
Totals		\$ 5,030,000	\$ 1,278,867	\$ 1,382,786	\$ 7,691,653

Ashley Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2008

Fiscal Year Ended June 30,	Principal Balance	Interest	June 30th Balance Due
School Bond Loan Fund			
1998	\$ 21,492	\$ 776	\$ 22,268
1999	21,387	997	44,652
2000	25,689	4,100	74,441
2001	10,041	4,006	88,488
2002	18,752	4,244	111,484
2003	-	3,800	115,284
2004	(31,262)	(18,738)	65,284
2004	-	2,434	67,718
2005	-	2,005	69,723
2006	-	2,846	72,569
2007	-	3,444	76,013
2008	-	3,416	79,429
Totals	<u>\$ 66,099</u>	<u>\$ 13,330</u>	

For the period from July 1, 2004 through June 30, 2008 the interest rate varied between 4.50% and 4.88%.

During the year ended June 30, 2004 the District made a \$50,000 payment on this loan, of which \$30,733 was applied to principal.

School Loan Revolving Fund

Fiscal Year Ended June 30,	Principal Balance	Interest	June 30th Balance Due
2006	\$ 54,000	\$ 492	\$ 54,492
2007	132,454	5,502	192,448
2008	143,559	11,078	347,085
Totals	<u>\$ 330,013</u>	<u>\$ 17,072</u>	

For the period from July 1, 2006 through June 30, 2008 the interest rate varied between 4.68% and 5.04%.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Ashley Community School District
Ashley, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Community School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated October 10, 2008.

Ashley Community School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 10, 2008

Finding 2008-1

Criteria

School Districts are required to issue financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for the financial statement rests with the District's management. The preparation of the financial statements in accordance with GAAP requires internal controls over both 1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and 2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect

The District relies on the independent auditors for assistance with the preparation of annual financial statements and related notes in accordance with GAAP.

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Recommendation

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Response

The District is aware of this deficiency and believes it is not cost beneficial in their situation to develop this expertise. They will continue to use the external auditors for this technical assistance and they expect this situation to be ongoing in future years.

Finding 2008-2

Condition

The District does not have sufficient segregation of duties in its accounting structure. Specifically, one employee in the business office (with the assistance of one other employee) has access to all aspects of the accounts payable cycle, performs bank reconciliations, opens mail, receives all receipts, makes bank deposits, performs all payroll related duties, and is responsible for maintenance of the general ledger.

Criteria

The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle. While this is a common occurrence in many small Districts due to the limited number of employees, the District should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately separated.

Effect

The District is assuming a greater risk of loss or misappropriation of assets.

Recommendation

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. We recommend that the District review various areas of operation and consider additional segregation of duties where possible. We also recommend that other members of the management team or members of the Board of Education increase their level of involvement in the financial affairs of the District to provide appropriate oversight and independent review functions.

Response

The Superintendent and Business Manager are in agreement with the recommendation. As of the date of this letter, they have begun a review of this issue and are expected to implement our recommendations.



MANAGEMENT LETTER

Ashley Community School District
Ashley, Michigan

In planning and performing our audit of the financial statements for Ashley Community School District (the District) for the fiscal year ended June 30, 2008, we considered the District's internal control in determining our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for the District to strengthen internal controls and operating efficiencies. The following pages that accompany this letter summarize our comments and recommendations regarding those matters. This letter does not affect our audit report dated October 10, 2008 on the financial statements of Ashley Community School District.

We will review the status of these comments during our next audit engagement. We have discussed these comments and recommendations with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Ashley Community School District, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 10, 2008

STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

We were pleased to see that management has implemented some of the recommendations we included in our previously issued Management Letter.

We have listed below the comments and related recommendations we included in our previously issued Management Letter in which the recommendations we suggested, or an appropriate alternative, have not been fully implemented as of the date of this report.

Bank Reconciliation Duties

Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of office employees, we recommend that a member of management, other than the preparer, review all completed bank reconciliations on a monthly basis. This review should include scanning the reconciling items for any unusual items and tracing the reconciled balance to the financial statements.

We also recommend that a review of the reconciliations be made from time to time by one or more of the board members, typically from the finance committee. In addition, he or she should sign the bank reconciliation that was reviewed.

Current Status

The recommendation we suggested in our previously issued Management Letter has not been fully implemented as of the date of this report.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Uninsured Bank Deposits

During recent months the financial market has seen significant fluctuations leading many to question the security and availability of bank deposits held in financial institutions. Although most banks insure deposits through the Federal Deposit Insurance Corporation (FDIC), there are limits to that coverage.

As of October 3, 2008, it is our understanding that the current limits for FDIC insured balances are \$250,000 per entity per financial institution. Governmental units may also request certain funds be collateralized by the bank. There are also other options regarding the investment of surplus funds including investment pools, treasury investments, and commercial paper.

We are not investment advisors. However, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review your investment policies to ensure it continues to satisfy the District's goals.

Review Vendor Lists

During our review of the vendor list we found numerous vendors that have been inactive for a long period of time. We recommend that management review its policies and procedures and make the necessary changes to ensure that all inactive vendors are removed from the list of available vendors.

We also recommend that management periodically review vendor lists for any unusual patterns, such as names that may be similar, but not identical to the names of approved vendors and vendors that have multiple addresses. In addition, management periodically should inspect files of unpaid invoices and vendor statements to look for invoices that appear different from the norm; consecutive vendor invoice numbers; preprinted and non-customized forms; different delivery addresses; different telephone numbers, purchase order numbers, item descriptions, prices, or other unusual patterns; old or unusual vendors who recently had an address change; or current activity on an old or outdated vendor. Such a review can detect possible fraud involving accounts payable.

If the validity of a vendor is questioned, an appropriate person should take steps to verify the vendor's existence. Perhaps the most effective way to verify a vendor is to call the vendor and visit the vendor's facilities.

Alternatively, an appropriate person can consult other information sources, such as the Better Business Bureau, credit reporting companies (such as Dun & Bradstreet), telephone directories, secretary of state incorporation records, or local partnership and assumed name records.